

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04
ITC-01 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01 EUR-12
/104 W

-----042489 021347Z /44

R 020808Z AUG 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9817
TREASURY DEPT WASHDC

UNCLAS SECTION 1 OF 2 TOKYO 11608

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: BERGSTEN NIHON KEIZAI INTERVIEW

FOLLOWING IS INFORMAL EMBASSY TRANSLATION OF INTERVIEW WITH
TREASURY ASSISTANT SECRETARY BERGSTEN WHICH APPEARED IN
JULY 31 EDITION LEADING ECONOMIC AND FINANCIAL DAILY
NIHON KEIZAI.

BEGIN TEXT. INTERVIEW WITH US ASSISTANT SECRETARY OF TREASURY
BERGSTEN; SHARING OF DEFICITS SHOULD BE CARRIED OUT FAIRLY;
NO PROBLEM IN US COMPETITIVE POWER.

(WASHINGTON, JULY 29, DIRECTOR NAGATA OF THE NIHON KEIZAI
NEWSPAPER COMPANY'S GENERAL BUREAU IN AMERICA)

-- ON THE UNEASINESS,, WHICH THE TREND OF THE RECENT
DECLINE IN THE EXCHANGE RATE OF THE DOLLAR HAS CAUSED,
THE WHITE HOUSE ON THE 29TH ISSUED A STATEMENT, TO THE
EFFECT THAT, "THE DOLLAR IS COMPLETELY HEALTHY, AND THE
STRONGNESS THEREOF IS DUE TO THE SOUNDNESS OF THE AMERICAN
ECONOMY." AT HIS INTERVIEW WITH THIS CORRESPONDENT OF THE
SAME DAY, ASSISTANT SECRETARY OF THE US TREASURY DEPARTMENT
BERGSTEN CLARIFIED SUCH VIEWS AS (1) THE AMERICAN ECONOMY
IS IN THE STRONGEST SITUATION IN THE WORLD, AND THE BASIS OF
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THE DOLLAR IS SOUND; (2) THE AMERICAN TRADE BALANCE NEXT
YEAR WILL PROBABLY PRODUCE A DEFICIT COMPARABLE TO THAT OF
THE CURRENT FISCAL YEAR (\$23 BILLION - \$25 BILLION) DUE TO
IMPORTS OF OIL FOR THE STOCKPILING OF OIL RESERVES FOR
STRATEGIC PURPOSES AND OTHER FACTORS. HOWEVER, THERE IS
NO PROBLEM IN US INTERNATIONAL COMPETITIVE POWER; AND
(3) I WANT JAPAN TO REALIZE A REDUCTION OF THE SURPLUS IN

ITS CURRENT ACCOUNT THROUGH THE EXPANSION OF DOMESTIC DEMAND AND OTHER FUNDAMENTAL MEASURES. --

THE CONTENTS OF THE QUESTIONS AND ANSWERS EXCHANGED WITH ASSISTANT SECRETARY BERGSTEN ARE AS FOLLOWS:

QUESTION: DUE TO THE WORSENING OF THE US TRADE BALANCE, THE CREDIBILITY OF THE DOLLAR HAS BECOME AN ISSUED. MOREOVER, IT IS SAID THAT THERE IS A CONFRONTATION OF VIEWS BETWEEN THE TREASURY DEPARTMENT AND FEDERAL RESERVE BOARD CHAIRMAN BURNS.

ANSWER: RIDICULOUS* THERE IS NO CONFRONTATION OF VIEWS AT ALL BETWEEN THE TREASURY DEPARTMENT AND THE FRB. WE ARE AGREED IN VIEWS THAT IN THE LIGHT OF THE ROLE OF THE DOLLAR TO BE PLAYED IN THE WORLD ECONOMY, A STRONG DOLLAR IS IMPORTANT TO BOTH THE US AND THE WORLD. US BUSINESS RECOVERY HAS MADE PROGRESS SATISFACTORILY, ITS ECONOMIC GROWHT RATE IS HIGH, AND THE RATE OF INFLATION HAS DROPPED SOMEWHAT. I AM SOMEWHAT SURPRISED TO HEAR THAT, NOVERTHELESS, THERE ARE SOME PERSONS WHO HARBOR SUSPICION OVER THE DOLLAR. VIEWED FROM THE RELATIVE STANDPOINT, IS IT NOT THAT THE US IS THE STRONGEST IN THE WORLD AS TO THE BASIC SITUATION OF THE ECONOMY?

QUESTION: VIEWED FROM THE POLITICAL STANDPOINT, THE US IS FAR MORE STABILIZED THAN WEST EUROPE.

ANSWER: THAT IS RIGHT. IT IS TRUE THAT THE DEFICIT IN THE US TRADE BALANCE IS BIG. HOWEVER, THIS IS BECAUSE, IN THE FIRST PLACE, AS THE US ECONOMY GROWS, IMPORTS CON-
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CERNED WITH ENERGY HAVE INCREASED. SECONDLY, AS VARIOUS COUNTRIES' BUSINESS RECOVERY WAS DELAYED IN COMPARISON WITH THE US, EXPORTS TO THE US HAVE INCREASED, WHILE ON THE OTHER HAND, US EXPORTS HAVE NOT INCREASED SO MUCH. THESE ARE BUSINESS CYCLE-TYPE FACTORS. IF THE VARIOUS COUNTRIES' ECONOMIC GROWTH RATES RISE, IT WILL BE POSSIBLE TO EXPECT IMPROVEMENT. ON THE OTHER HAND, WITH REGARD TO ENERGY, WE ARE NOW IN THE COURSE OF DRAFTING A COMPREHENSIVE ENERGY POLICY. THE EFFECTS THEREOF WILL BE PRODUCED SEVERAL YEARS HENCE, AND OIL IN ALASKA ALREADY HAS APPROACHED THE POSSIBILITY OF UTILIZATION.

SUBTITLE: US IMPORTS WILL INCREASE DUE TO STOCKPILING OF OIL RESERVES. END SUBTITLE.

QUESTION: DO YOU THINK THAT THE DEFICIT IN THE US CURRENT ACCOUNT RANGING FROM \$10 BILLION TO \$12 BILLION A YEAR IS NECESSARY AND IS A REASONABLE AMOUNT, VIEWED FROM THE PRESENT SITUATION OF THE WORLD ECONOMY?

ANSWER: ON THIS POINT, THERE ARE TWO PROBLEMS. THE FIRST PROBLEM IS BY WHAT MEANS WE WILL DECREASE THE BIG IMBALANCE WHICH HAS BEEN CAUSED BY A HUGE AMOUNT OF SURPLUS IN OPEC (ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES). THE SECOND PROBLEM IS TO DISTRIBUTE THEEPRESENT BURDEN OF

THE DEFICIT AMONG VARIOUS COUNTRIES MORE FAIRLY. AS TO THE PROBLEM OF A FAIR DISTRIBUTION OF THE BURDEN, IT IS NECESSARY FOR COUNTRIES LIKE JAPAN, WHICH ARE STRONG IN THEIR INTERNATIONAL PAYMENTS BALANCES, TO INCREASE THEIR SHARES.

QUESTION: HOW ABOUT PROSPECTS FOR NEXT YEAR'S US TRADE BALANCE?

ANSWER: CANADA'S BUSINESS CONDITIONS WILL PROBABLY IMPROVE NEXT YEAR. I WOULD EXPECT ECONOMIC GROWTH IN JAPAN AND EUROPE, TOO. HOWEVER, AS IT IS POSSIBLE FOR THE US TO ATTAIN AN ECONOMIC GROWTH RATE OF ABOUT 5 PERCENT, IMPORTS WILL INCREASE. ON THE OTHER HAND, IMPORTS OF ENERGY WILL PROBABLY COME TO BE PEGGED, IN GENERAL. HOWEVER, WE ARE SCHEDULED TO START IMPORTS OF CRUDE OIL DESIGNED TO STOCKPILE OIL STRATEGICALLY IN 1978. OUR COUNTRY WILL PROBABLY PRODUCE

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A DEFICIT NEXT YEAR, COMPARABLE TO THAT OF THIS YEAR. HOWEVER, THERE ARE VERY FLUID FACTORS IN THIS PROSPECT.

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ACTION EA-09

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
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LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04
ITC-01 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01 EUR-12
/104 W

-----041045 021346Z /44

R 020808Z AUG 77

FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9818
TREASURY DEPT WASHDC

UNCLAS SECTION 2 OF 2 TOKYO 11608

QUESTION: FOR ALL THAT, IS THERE NO FEAR ABOUT FUTURE PROSPECTS FOR THE DOLLAR?

ANSWER: WE ARE CONSTANTLY CONCERNED ABOUT THAT AND ARE WATCHING THE SITUATION CAREFULLY. MOREOVER, IT IS NOT

TRUE AT ALL THAT US INTERNATIONAL COMPETITIVE POWER HAS
DROPPED. IF WE NARROW DOWN THE FOCAL POINT TO OUR BASIC
POLICY OF THE ECONOMY AND SPEED UP OUR ENERGY POLICY, I
FIRMLY BELIEVE THAT WE WILL BE ABLE TO MAINTAIN TON CREDIBILITY
OF THE DOLLAR.

SUBTITLE: US WILL NOT INTERVIENE IN MARKET IN LARGE QUANTITIES
END SUBTITLE.

QUESTION: IN SUCH A SITUATION LIKE THAT IN THE PAST
SEVERAL WEEKS, WILL THE US NOT INTERVENE IN THE MARKET AT ALL,
WHILE ENTRUSSTING MATTERS TO FUTURE DEVELOPMENTS OF THE MARKET?

ANSWER: WE INTERVENE IN THE MARKET ONLY WHEN THERE ARE
MOVES FOR DISTURBING THE MARKET DUE TO EXCESSIVE SPECULATION.
THERE WERE TWO OR THREE TIMES IN THE PAST THREE OR FOUR WEEKS
THAT IN ORDER TO MAKE THE MARKET SITUATION STEADY AS TO ONLY
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THE TRANSACTIONS OF THE DOLLAR AND THE GERMAN MARK, THE
US HAD TO INTERVENE. HOWEVER, THERE WAS NO INTERVENTION
IN THE MARKET IN LARGE QUANTITIES, NOR WILL THERE BE IN
THE FUTURQ.

QUESTION: JAPAN'S MEASURES FOR REDUCING THE SURPLUS
IN ITS CURRENT ACCOUNT ARE A PROBLEM OF JAPAN. HOW ABOUT
THE ATTITUDES OF US GOVERNMENT OFFICIALS IN CHARGE?

ANSWER: WE APPRAISE VERY HIGHLY THWT PRIME MINISTER
FUKUDA HAS FORMULATED A POLICY FOR ATTAINING THE ECONOMIC
GROWTH RATE OF 6.7 PERCENT AND FOR CHANGING THE CURRENT ACCOUNT TO
A DEFICIT. WE ARE EXPECTING THAT THIS POLICY WILL BE
REALIZED AS SOON AS POSSIBLE. WHAT WE ARE EXPECTKG ESPECIALLY
IS THAT JAPAN WILL FORULATE A FUNDAMENTAL POLICY FOR CHANGING
THE CONSTITUTION OF THE JAPANESE ECONOMY STRUCTURALLY AND
THAT DUE TO THIS POLICY, (JAPAN'S) ECONOMIC GROWTH WILL BECOME
STRONG, PRESSURE FOR EXPORTS WILL BECOME DULL, AND IMPORTS
WILL INCREASE. WE DO NOT SEEK SUCH A STOPGAP MEASURE AS TO
IMPORT COMMODITIES FOR STOCKPILING PURPOSES, SO THAT JAPAN
WILL ATTAIN ITS TARGET IN A CERTAIN SPECIFIC PERIOD OF TIME,
THIS WILL COME TO DISTORT PROBLEMS. ACCORDINGLY, WE ARE NOT
DESIRING THAT JAPAN WILL STOP EXPORTS ARTIFICIALLY. END TEXT.
MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, PRESS CONFERENCES
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Disposition Comment:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1412314
Secure: OPEN
Status: NATIVE
Subject: BERGSTEN NIHON KEIZAI INTERVIEW FOLLOWING IS INFORMAL EMBASSY TRANSLATION OF INTERVIEW WITH TREASURY ASSISTANT SECRETARY BERGSTEN WHICH APPEAR
TAGS: EFIN, JA, TRSY, (BERGSTEN, BOB)
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/15a1144f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009